

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Tekonsha	County Calhoun
Audit Date March 31, 2006	Opinion Date June 15, 2006	Date Accountant Report Submitted to State: July 18, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 15, 2006

To the Township Board
Township of Tekonsha
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Tekonsha, Calhoun County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Tekonsha's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Tekonsha, Calhoun County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & CO., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Tekonsha covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$898,842.56 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$250,673.82 from governmental activities. Governmental activities had a \$9,532.88 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Library Fund, the Cemetery Perpetual Care Fund, the Agency Fund, and the Current Tax Collection Fund.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Library Fund, and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$166,732.92.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$2,700.00 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is steady though the 2006-2007 fiscal year and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 517-767-3366, or P.O. Box 91, Tekonsha, Michigan 49092.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	161 960 37
Taxes receivable	<u>12 905 66</u>
Total Current Assets	<u>474 866 03</u>
NON-CURRENT ASSETS:	
Capital Assets	684 700 00
Less: Accumulated Depreciation	<u>(258 656 65)</u>
Total Non-current Assets	<u>426 043 35</u>
TOTAL ASSETS	<u>900 909 38</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>2 066 82</u>
Total Current Liabilities	<u>2 066 82</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>2 066 82</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	426 043 35
Reserved for cemetery	470 00
Unrestricted	<u>472 329 21</u>
Total Net Assets	<u>898 842 56</u>
TOTAL LIABILITIES AND NET ASSETS	<u>900 909 38</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	22 684 84	-	(22 684 84)
General government	79 624 88	26 137 78	(53 487 10)
Public safety	83 040 27	6 239 00	(76 801 27)
Public works	4 177 16	800 42	(3 376 74)
Culture and recreation	51 613 79	6 047 64	(45 556 15)
Total Governmental Activities	<u>241 140 94</u>	<u>39 224 84</u>	<u>(201 906 10)</u>
 General Revenues:			
Property taxes			114 207 87
State revenue sharing			72 617 75
Interest			5 494 99
Miscellaneous			19 128 37
Total General Revenues			<u>211 448 98</u>
 Change in net assets			9 532 88
 Net assets, beginning of year			<u>889 309 68</u>
 Net Assets, End of Year			<u>898 842 56</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	<u>General</u>	<u>Library</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	398 573 99	62 833 50	470 00	461 877 49
Taxes receivable	9 084 06	3 821 60	-	12 905 66
Due from other funds	82 88	-	-	82 88
 Total Assets	 <u>407 740 93</u>	 <u>66 655 10</u>	 <u>470 00</u>	 <u>474 866 03</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	2 066 82	-	-	2 066 82
Total liabilities	<u>2 066 82</u>	<u>-</u>	<u>-</u>	<u>2 066 82</u>
Fund equity:				
Fund balances:				
Reserved for cemetery	-	-	470 00	470 00
Unreserved:				
Undesignated	405 674 11	66 655 10	-	472 329 21
Total fund equity	<u>405 674 11</u>	<u>66 655 10</u>	<u>470 00</u>	<u>472 799 21</u>
 Total Liabilities and Fund Equity	 <u>407 740 93</u>	 <u>66 655 10</u>	 <u>470 00</u>	 <u>474 866 03</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	472 799 21
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	684 700 00
Accumulated depreciation	<u>(258 656 65)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>898 842 56</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Library</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:				
Property taxes	75 478 26	38 729 61	-	114 207 87
Licenses and permits	6 268 00	-	-	6 268 00
State revenue sharing	71 766 37	851 38	-	72 617 75
Penal fines	-	6 047 64	-	6 047 64
Charges for services – PTAF	17 439 03	-	-	17 439 03
Charges for services – cemetery	8 669 75	-	-	8 669 75
Interest	4 738 60	756 39	-	5 494 99
Special assessments	800 42	-	-	800 42
Miscellaneous	9 474 36	9 583 11	70 90	19 128 37
Total revenues	<u>194 634 79</u>	<u>55 968 13</u>	<u>70 90</u>	<u>250 673 82</u>
Expenditures:				
Legislative:				
Township Board	22 684 84	-	-	22 684 84
General government:				
Supervisor	7 259 04	-	-	7 259 04
Elections	1 449 21	-	-	1 449 21
Assessor	14 673 74	-	-	14 673 74
Clerk	10 024 04	-	-	10 024 04
Board of Review	576 48	-	-	576 48
Treasurer	12 149 25	-	-	12 149 25
Building and grounds	4 488 09	-	70 90	4 488 09
Cemetery	16 933 95	-	-	17 004 85
Tax roll	1 926 85	-	-	1 926 85
Public safety:				
Fire protection	47 986 95	-	-	47 986 95
Planning and zoning	14 430 32	-	-	14 430 32
Protective inspection	5 273 00	-	-	5 273 00
Public works:				
Drains	3 375 61	-	-	3 375 61
Street lights	801 55	-	-	801 55
Culture and recreation:				
Library	-	51 613 79	-	51 613 79
Capital outlay	<u>2 700 00</u>	<u>-</u>	<u>-</u>	<u>2 700 00</u>
Total expenditures	<u>166 732 92</u>	<u>51 613 79</u>	<u>70 90</u>	<u>218 417 61</u>
Excess of revenues over expenditures	27 901 87	4 354 34	-	32 256 21
Fund balances, April 1	<u>377 772 24</u>	<u>62 300 76</u>	<u>470 00</u>	<u>440 543 00</u>
Fund Balances, March 31	<u>405 674 11</u>	<u>66 655 10</u>	<u>470 00</u>	<u>472 799 21</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 32 256 21

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(25 423 33)
Capital Outlay	<u>2 700 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 9 532 88

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Tekonsha, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Tekonsha. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for amounts received for maintenance of the cemetery.

Fiduciary Funds

The Current Tax Collection Fund and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 2.8315 mills, and the taxable value was \$38,920,867.00.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25-30 years
Furniture and equipment	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>462,028.33</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	203,826.25
Uninsured and Uncollateralized	<u>261,558.33</u>
Total Deposits	<u>465,384.58</u>

The Township of Tekonsha did not have any investments as of March 31, 2006.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
<u>Governmental Activities:</u>				
Land	10 000 00	-	-	10 000 00
Buildings	280 000 00	-	-	280 000 00
Equipment	392 000 00	2 700 00	-	394 700 00
Total	682 000 00	2 700 00	-	684 700 00
Accumulated Depreciation	(233 233 32)	(25 423 33)	-	(258 656 65)
Net Capital Assets	448 766 68	(22 723 33)	-	426 043 35

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2006, the Township had building permit revenues of \$6,239.00 and building permit expenses of \$5,273.00.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	73 397 00	73 397 00	75 478 26	2 081 26
Licenses and permits	8 900 00	8 900 00	6 268 00	(2 632 00)
State revenue sharing	57 500 00	57 500 00	71 766 37	14 266 37
Charges for services – PTAF	13 913 00	13 913 00	17 439 03	3 526 03
Charges for services – cemetery	10 500 00	10 500 00	8 669 75	(1 830 25)
Interest	2 500 00	2 500 00	4 738 60	2 238 60
Special assessments	125 00	125 00	800 42	675 42
Miscellaneous	36 117 00	36 117 00	9 474 36	(26 642 64)
Total revenues	<u>202 952 00</u>	<u>202 952 00</u>	<u>194 634 79</u>	<u>(8 317 21)</u>
Expenditures:				
Legislative:				
Township Board	19 280 00	27 152 00	22 684 84	(4 467 16)
General government:				
Supervisor	9 425 00	8 525 00	7 259 04	(1 265 96)
Elections	5 000 00	5 000 00	1 449 21	(3 550 79)
Assessor	19 920 00	19 920 00	14 673 74	(5 246 26)
Clerk	13 290 00	11 540 00	10 024 04	(1 515 96)
Board of Review	1 245 00	1 195 00	576 48	(618 52)
Treasurer	14 712 00	13 625 00	12 149 25	(1 475 75)
Building and grounds	15 700 00	15 700 00	4 488 09	(11 211 91)
Cemetery	34 200 00	34 150 00	16 933 95	(17 216 05)
Tax roll	3 850 00	4 050 00	1 926 85	(2 123 15)
Public safety:				
Fire protection	51 883 00	51 853 00	47 986 95	(3 866 05)
Planning and zoning	20 175 00	19 770 00	14 430 32	(5 339 68)
Protective inspection	7 400 00	7 900 00	5 273 00	(2 627 00)
Public works:				
Drains	4 200 00	4 200 00	3 375 61	(824 39)
Street lights	900 00	900 00	801 55	(98 45)
Contingency	27 500 00	27 500 00	-	(27 500 00)
Capital outlay	<u>2 500 00</u>	<u>2 700 00</u>	<u>2 700 00</u>	<u>-</u>
Total expenditures	<u>251 180 00</u>	<u>255 680 00</u>	<u>166 732 92</u>	<u>(88 947 08)</u>
Excess (deficiency) of revenues over expenditures	(48 228 00)	(52 728 00)	27 901 87	80 629 87
Fund balance, April 1	<u>48 228 00</u>	<u>52 728 00</u>	<u>377 772 24</u>	<u>325 044 24</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>405 674 11</u>	<u>405 674 11</u>

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	38 000 00	38 000 00	38 729 61	729 61
State revenue sharing	1 600 00	1 600 00	851 38	(748 62)
Penal fines	6 400 00	6 400 00	6 047 64	(352 36)
Interest	300 00	300 00	756 39	456 39
Miscellaneous	5 000 00	5 000 00	9 583 11	4 583 11
Total revenues	51 300 00	51 300 00	55 968 13	4 668 13
Expenditures:				
Culture and recreation:				
Library	82 000 00	81 500 00	51 613 79	(29 886 21)
Total expenditures	82 000 00	81 500 00	51 613 79	(29 886 21)
Excess (deficiency) of revenues over expenditures	(30 700 00)	(30 200 00)	4 354 34	34 554 39
Fund balance, April 1	36 700 00	30 200 00	62 300 76	32 100 76
Fund Balance, March 31	-	-	66 655 10	66 655 10

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Township Board:	
Salaries	2 400 00
Supplies	1 310 90
Audit and legal	6 161 59
Printing and publishing	745 98
Payroll taxes	3 036 01
Insurance	6 494 00
Memberships and dues	744 48
Miscellaneous	1 791 88
	<u>22 684 84</u>
Supervisor:	
Salary	6 800 04
Miscellaneous	459 00
	<u>7 259 04</u>
Elections:	
Professional services	674 12
Supplies	573 47
Printing and publishing	201 62
	<u>1 449 21</u>
Assessor:	
Contracted services	13 515 00
Miscellaneous	1 158 74
	<u>14 673 74</u>
Clerk:	
Salary	9 800 04
Miscellaneous	224 00
	<u>10 024 04</u>
Board of Review:	
Miscellaneous	<u>576 48</u>
Treasurer:	
Salary	11 600 04
Miscellaneous	549 21
	<u>12 149 25</u>
Building and grounds:	
Operating	<u>4 488 09</u>
Cemetery:	
Salaries	600 00
Contracted services	12 916 90
Miscellaneous	3 417 05
	<u>16 933 95</u>
Tax roll:	
Supplies	714 24
Miscellaneous	1 212 61
	<u>1 926 85</u>
Fire protection:	
Contracted services	<u>47 986 95</u>

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Planning and zoning	<u>14 130 32</u>
Protective inspection	<u>5 273 00</u>
Drains at large	<u>3 375 61</u>
Street lighting: Utilities	<u>801 55</u>
Capital outlay	<u>2 700 00</u>
Total Expenditures	<u><u>166 432 92</u></u>

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

LIBRARY FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Library:

Salaries	15 120 85
Books	6 970 63
Payroll taxes	2 466 24
Rent	19 410 91
Repairs and maintenance	837 31
Supplies	382 61
Dues	882 90
Utilities	4 183 43
Miscellaneous	<u>1 358 91</u>
Total expenditures	<u><u>51 613 79</u></u>

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

BALANCE SHEET – PERMANENT FUND
March 31, 2006

Cemetery Perpetual
Care

Assets

Cash in bank

470 00

Total Assets

470 00

Liabilities and Fund Balances

Liabilities

-

Fund balances:

Reserved

470 00

Total Liabilities and Fund Balances

470 00

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2006

	<u>Cemetery Perpetual Care</u>
Revenues:	
Miscellaneous	<u>70 90</u>
Total revenues	<u>70 90</u>
Expenditures – Cemetery	<u>70 90</u>
Excess of revenues over expenditures	-
Fund balance, April 1	<u>470 00</u>
Fund Balance, March 31	<u><u>470 00</u></u>

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – ALL AGENCY FUNDS
Year ended March 31, 2006

	Balance 4/1/05	Additions	Deductions	Balance 3/31/06
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	-	1 317 349 34	1 317 266 46	82 88
<u>Liabilities</u>				
Due to other funds	-	120 114 13	120 031 25	82 88
Due to other units	-	1 197 235 21	1 197 235 21	-
Total Liabilities	-	1 317 349 34	1 317 266 46	82 88
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	4 843 92	5 103 54	9 947 46	-
<u>Liabilities</u>				
Due to other funds	-	1 056 64	1 056 64	-
Due to other units	4 842 92	4 046 90	8 890 82	-
Total Liabilities	4 843 92	5 103 54	9 947 46	-
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	4 843 92	1 322 452 88	1 327 213 92	82 88
<u>Liabilities</u>				
Due to other funds	-	121 170 77	121 087 89	82 88
Due to other units	4 843 92	1 201 282 11	1 206 126 03	-
Total Liabilities	4 843 92	1 322 452 88	1 327 213 92	82 88

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 15, 2006

To the Township Board
Township of Tekonsha
Calhoun County, Michigan

We have audited the financial statements of the Township of Tekonsha for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Tekonsha in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Tekonsha
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants